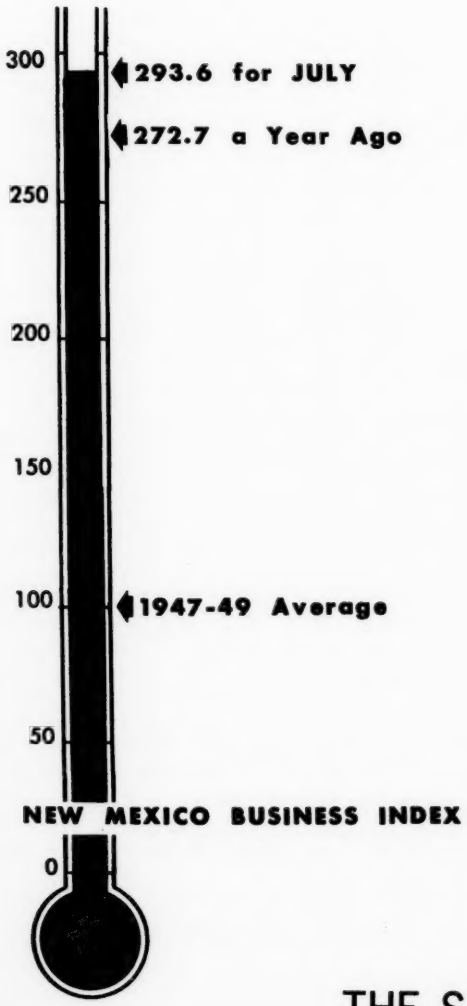
SEPTEMBER 1961

New Mexico BUSINESS



During July, business activity in the State reached the highest monthly level so far this year. Although the July index stood only 0.4 per cent above the previous 1961 high recorded during March, the July index was almost 8 per cent above that for July 1960. Also, the increase from July 1960 to July 1961 was greater than that between any month of 1961 and the same month of 1960.

Business activity this year remained below the level of 1960 for the first four months; but since then conditions have improved so that our index for the first seven months of 1961 averaged 1.3 per cent above the corresponding 1960 average.

The employment situation continued quite soft during July, although the figure was 1 per cent above that of July 1960. The most encouraging item in the employment scene was the change in the manufacturing category. Throughout the first half of 1961, manufacturing employment was below 1960 levels. The reported June-July increase in manufacturing employment, while only a 0.6-per cent gain, reversed a trend that had been developing since the first of the year. Unemployment continued to edge downward during July, as it has been since February. However, the current rate of unemployment is 54 per cent greater than it was during July 1960.

Although the value of construction contracts awarded in New Mexico during July rose 8.5 per cent above the level of the previous July, the value of awards for the first seven months of this year was 16.5 per cent below that for the corresponding period of 1960.

THE STATE'S RECENT BUSINESS SLUMP

Business Activity in New Mexico

FIRST SIX MONTHS, 1960 & 1961

	1960 Final	1960 Jan.-June	1961 Jan.-June	Per Cent Change	Average Index 1960 Final	Average Index 1960 Jan.-June	Average Index 1961 Jan.-June	Per Cent Change
Index of Business Activity (1947-49 = 100)	--	--	--	--	278.8	280.6	281.1	+ 0.2
Sales of Retail Stores (1,000s)	$1,362,014	$ 681,690	$ 638,133	- 6.4	230.7	230.9	216.2	- 6.4
Apparel Stores	43,193	20,795	19,451	- 6.5	181.7	175.0	163.7	- 6.5
Automotive Dealers	368,939	191,361	173,888	- 9.1	230.1	238.6	216.8	- 9.1
Subsistence Stores	328,613	160,588	153,368	- 4.5	237.5	232.1	221.7	- 4.5
Furniture and Appliance Stores	51,430	25,248	24,005	- 4.9	168.5	165.4	157.3	- 4.9
Building Materials Dealers	129,906	65,111	61,836	- 5.0	222.2	222.8	211.6	- 5.0
Other Retail Stores	439,933	218,587	205,585	- 5.9	250.5	248.9	234.1	- 5.9
Sales of Amusement Establishments (1,000s)	$ 21,406	$ 10,573	$ 8,920	- 15.6	200.2	197.8	166.9	- 15.6
Sales of Service Establishments (1,000s)	173,662	86,782	93,603	+ 7.9	374.3	374.1	403.5	+ 7.9
Sales of Contractors (1,000s)	398,457	198,902	182,604	- 8.2	485.9	485.1	445.3	- 8.2
Sales of Wholesalers (1,000s)	513,152	249,738	251,243	+ 0.6	211.7	206.1	207.3	+ 0.6
Public Utilities' and Carriers' Sales (1,000s)	207,377	106,742	111,110	+ 4.1	369.3	380.2	395.8	+ 4.1
*Life Insurance Sales (1,000s)	278,966	134,762	143,385	+ 6.4	662.9	640.4	681.4	+ 6.4
*Bank Debits, 34 banks (1,000s)[a]	$5,932,927	$2,946,451	$2,957,925	+ 0.4	309.9	308.1	308.8	+ 0.2
Bank Loans and Discounts, 34 banks (1,000s)[a]	584,257	290,079	300,918	+ 3.7	287.0	284.7	295.2	+ 3.7
Demand Deposits, 34 banks[a] (1,000s)[c]	333,540	332,221	335,317	+ 0.9	180.6	180.1	181.4	+ 0.7
Time Deposits, 34 banks[a] (1,000s)[c]	136,339	131,230	148,909	+ 13.5	387.5	372.8	423.4	+ 13.6
Business Failure Liabilities (1,000s)[b]	2,229	586	2,830	+382.9	649.0	341.3	1,647.5	+382.7
Wage Workers in Nonagricultural Establishments[c]	237,000	235,050	236,600	+ 0.7	178.7	177.2	178.4	+ 0.7
in Mining	20,500	20,550	20,050	- 2.4	168.6	169.2	164.9	- 2.5
in Contract Construction	19,000	18,650	17,900	- 4.0	150.6	148.0	141.9	- 4.1
*in Manufacturing	16,200	16,600	15,750	- 5.1	188.9	193.4	183.9	- 4.9
in Transportation and Utilities	20,400	20,350	19,550	- 3.9	127.6	127.2	122.2	- 3.9
in Trade	49,900	49,000	49,900	+ 1.8	171.7	168.7	171.8	+ 1.8
in Finance, Insurance, and Real Estate	9,500	9,450	9,450	0.0	304.8	303.2	303.2	0.0
in Services and Miscellaneous	37,500	36,950	38,100	+ 3.1	172.7	170.1	175.4	+ 3.1
in Government	64,000	63,500	65,900	+ 3.8	217.7	216.0	224.1	+ 3.8
Number of Insured Unemployed	6,770	7,330	10,960	+ 49.5	--	--	--	--
Rate of Unemployment (per cent of labor force)	3.53	3.85	5.66	+ 47.0	227.5	247.7	364.0	+ 47.0
*Building Permits, total 18 cities (1,000s)[a]	$ 89,934	$ 49,270	$ 45,254	- 8.2	260.6	285.5	262.2	- 8.2
Residential	47,685	26,559	21,174	- 20.3	222.8	248.2	197.9	- 20.3
Nonresidential	28,573	14,335	16,188	+ 12.9	326.3	327.4	369.7	+ 12.9
Other	13,676	8,376	7,892	- 5.8	314.0	384.7	362.4	- 5.8
Construction Contracts Awarded (1,000s)	221,180	132,670	107,147	- 19.2	--	--	--	--
Residential	83,646	45,863	37,980	- 17.2	--	--	--	--
Nonresidential	47,577	23,729	34,206	+ 44.2	--	--	--	--
Heavy Engineering	89,957	63,078	34,961	- 44.6	--	--	--	--
*Petroleum Production (1,000s of bbls)	104,123	51,704	54,522	+ 5.5	228.8	227.2	239.6	+ 5.5
Natural Gas Production (millions of cu ft)	818,445	410,284	380,316	- 7.3	424.0	425.1	394.1	- 7.3
*Electric Power Production (1,000s of kwhs)	3,401,055	1,707,844	1,763,442	+ 3.3	321.2	322.6	333.1	+ 3.3
*Index of Total Metallics Production (1947-49 = 100)	--	--	--	--	78.3	81.4	91.7	+ 12.7
Mine Production - Copper (1,000s of lbs)	134,800	70,546	73,376	+ 4.0	106.3	111.2	115.7	+ 4.0
Mine Production - Lead (1,000s of lbs)	4,400	2,416	2,510	+ 3.9	35.4	38.8	40.3	+ 3.9
Mine Production - Zinc (1,000s of lbs)	27,600	14,012	23,028	+ 64.3	36.0	36.6	60.1	+ 64.2
*Mine Production - Potash (1,000s of tons)	14,824	7,352	7,780	+ 5.8	308.6	306.1	323.9	+ 5.8
Index of All Farm Prices (1947-49 = 100)	--	--	--	--	97.6	100.3	100.8	+ 0.5
Index of Livestock Prices	--	--	--	--	103.3	107.0	107.3	+ 0.3
Index of Crop Prices	--	--	--	--	90.5	90.9	92.0	+ 1.2
Receipts from All Farm Marketings (1,000s)	$ 236,006	$ 64,591	$ 64,433	- 0.2	127.6	107.8	107.6	- 0.2
Livestock and Products	142,013	40,861	42,516	+ 4.1	128.1	107.2	111.6	+ 4.1
Crops	93,993	23,730	21,917	- 7.6	126.8	111.7	103.2	- 7.6

*Indexes for these items are used to compute the Index of Business Activity.

[a]Although the number of reporting units changes, the indexes for these items are comparable with indexes for preceding months.

[b]The figures in this series are based on the average of three months' data.

[c]Monthly average

Sources:

Retail Sales Data: N. M. Bureau of Revenue
Potash Production: N. M. Bureau of Revenue
Petroleum and Natural Gas Production: N. M. Oil Conservation Commission
Life Insurance Sales (New Ordinary): Life Insurance Agency Management Association
Wage Workers and Unemployment: N. M. Employment Security Commission and U. S. Department of Labor
Electric Power Production: Federal Power Commission
Metallics Production: U. S. Bureau of Mines
Farm Prices and Marketings: U. S. Agricultural Marketing Service
Bank Data (all series) and Building Permits: Bureau of Business Research, UNM
Business Failure Liabilities: Dun & Bradstreet, Inc.
Construction Contracts: F. W. Dodge Corporation

New Mexico's Recent Business Slump

By GORDON K. PIERSON *

The nation's most recent recession, from which it appears that we are now recovering, is generally regarded as the fourth of the postwar period. It also seems generally agreed that nationally it has been the least severe of the four postwar dips in business activity. In this respect, the experience of New Mexico has been quite different from that of the country generally; for, while each of the three preceding recessions produced only mild repercussions in New Mexico, the fourth one has been the most severe encountered by this state's economy since the last war. Moreover, while the nation is showing strong evidence of recovery, few signs of recovery have appeared so far in New Mexico. (See full-page table on the opposite page.)

OVERALL NATURE OF THE DECLINE

This article does not purport to be a complete and detailed study of the nature and causes of the performance of New Mexico's economy during recent months. Rather, it merely suggests--and then attempts to apply--a general approach to the question regarding what has happened recently to the State's economy--and why. As time permits and more data become available, a more complete study can be undertaken.

An examination of the data suggests that the 1960-61 decline in economic activity in New Mexico does not portend a serious weakening of the State's economic base, but was perhaps primarily the result of a major decline in the construction industry. Although recently the prime income generators do not seem to have experienced the growth rate of the earlier 1950s, but have, indeed, apparently leveled off (probably having a dampening effect upon business), indications are that the decline in construction has played the more important role.

To examine the causes and the significance of changes in income and employment, we should find it useful to define and analyze first those industries which constitute the economic base of an area. This primary sector might be considered the foundation providing the remaining industries their raison d'etre. In regional analyses such industries are usually the export industries, whose demand and output tend to reflect only in small measure the influences of the local market. The other sectors are characterized by their primary response to regional conditions. "Basic" activities not only provide the means of payment for goods which must be imported, but also support the service or secondary industries, which are preponderantly local in nature.

Everything being equal, in terms of long-run growth and analysis attention might best be directed at the ways in which these "independent" sectors tend to provide the economic stimulus to the geographical region as a whole. An appraisal of the significance of a short-run business fluctuation would then be possible. If the region's economic activity has in fact declined because of major changes in its economic base, the long implications are much more serious than if the recessionary pressure has resulted from a change in the consumption pattern or perhaps from an oversupply of particular goods.

Certainly, short-run fluctuations in economic activity can be caused by changes in sectors other than the basic industries. However, we might logically expect the leverage effect (see Box) to be greater in the latter instance. But when an economist undertakes to ferret out the factors responsible for changes such as those occurring recently in the New Mexico economy, he runs the risk of considering certain factors twice, simply because those factors may be involved in the operations of two distinct economic multipliers (see the Box). For instance, personal income is affected by both the Keynesian Multiplier and by the non-Keynesian multiplier. However, if the analyst remembers that "primary industries" can be defined to include whatever regional intermediary industries are involved (as, indeed, we have so defined "primary industries" in this article), he can consider that those basic industries give rise to both kinds of multiplier effects. Therefore, he can take into consideration the effects of the secondary-industry multiplier; otherwise, an artificial influence will be measured.

Furthermore, the acceleration effect may tend to be more significantly associated with the primary sectors than with the "secondary" industries. One might expect the marginal efficiency of capital to respond more to changes in a region's

*Mr. Pierson joined the staff of the Bureau of Business Research September 1 as research economist. He is also assistant professor in the UNM College of Business Administration. Mr. Pierson came to Albuquerque from the University of Washington, where he has completed all Ph.D. requirements except his dissertation. In 1957-58 he studied at the University of Stockholm on a grant from the American-Scandinavian Foundation. His particular areas of interest are money and banking, public finance, theory, government and business, and Soviet economics. He has also done real estate consulting.

TABLE I

MINING EMPLOYMENT
New Mexico, 1957, 1958, 1959, 1960
(in thousands)

	1957	1958	1959	1960
Metal	5.2	4.7	5.2	6.5
Nonmetal	4.1	3.9	3.9	4.1
Petroleum	11.3	10.5	10.2	9.9
TOTAL	20.6	19.1	19.3	20.5

Source: N. M. Employment Security Commission

basic industries than to those in the other sectors, presumably these changes would have greater impact upon the expectations of investors. Thus the probability of greater accelerator (as well as multiplier) effects of the primary industries suggest further reason for so delineating the region's economy into these two general categories.

The term "basic" (or "primary") industry in this state cuts across most of the usual industrial categories; i.e., manufacturing, mining, services, government, and agriculture. Although one cannot precisely define, or quantify, the various industries included in this category, the data do permit the delineation of broad categories whose major activity might be classified as basic to the State's economic structure. It is with these that this article is concerned.

Mining and much of agriculture come under this heading. So does the timber industry from the large manufacturing sector. Although the tourist "industry" (elements of which are found in nearly all the usual industry classifications) cannot be reasonably measured from available data, and for this reason is not specifically discussed in this statement, tourism should be classified as a primary industry. However, perhaps the most important of all in New Mexico are those activities directly or indirectly federally sponsored, of which the national defense program is the prime factor, including employment of the military and the AEC, their prime contractors and, possibly, the subcontractors. Unfortunately, as is described later, this important sector is the most difficult to measure effectively.

MINING

Turning first to mining, we discover that employment figures do not suggest that this category contributed to the recent recessionary pressure. (See Table I.) While there was some decline in 1958 and 1959, these losses were recouped in 1960, when the State's economic climate was dampening. There does seem to have been a slight decline from 20,550 in the first six months of 1960 to 20,050 for the comparable period in 1961. However, at the moment mining does not seem to be a major contributing factor to the present decline, nor does there seem reason to believe that it will decline significantly in the future if the U.S. recovery continues.

AGRICULTURE

Conversely, as Table II shows, agricultural figures, primarily reflecting lower yields and prices of cotton, suggest that agriculture has been partly responsible for the faltering of the New Mexico economy. The 1961 figures are not available; but, while the decline in agricultural personal income in 1959 and again in 1960 may have been in part a cause of the State'e economic sluggishness, there seems little reason to believe that declines will continue or, if they do, that they will be large. Farm income, of course, greatly reflects the government's agricultural policy. While the present policy is not yet clearly defined, it seems safe to assume that at most only a gradual decline in the importance of agriculture will be permitted. To the extent that New Mexico farm income reflects national economic conditions, we have further reason to believe that the above agricultural declines are temporary. The country appears to have reversed the direction of the economy--a fact which will positively influence agricultural prices and income.

TIMBER

The New Mexico timber industry, although supplying only a small portion of the total national needs, can still be considered one of the State's basic income-producing activities. Lacking precise information, this writer has considered (as an approximate measure of this basic sector) employment in logging camps and by contractors, together with the employment found in sawmills and planing mills. The absolute figures, then, become less important than their relative changes. Recent annual monthly averages ran in this fashion: 1957--2,093; 1958--1,894; 1959--2,134; and 1960--1,634. A rather significant decline in employment occurred in 1960, which, of course, added to that year's deflationary pressure. However, the extent to which this reduction is causal

Economic Multipliers Referred to:

1. The Keynesian Multiplier is the ratio of the change in total income to changes in business investment and/or government expenditures. For example, an increase in government spending directly raises the income of some individual who will, presumably, spend part (say, two thirds) of his income gain on personal consumption, thereby increasing the income of someone else, whose resulting additional consumer spending keeps the ball rolling. This multiplier raises overall income and output (GNP in the case of the nation; GSP in the case of a state) by some multiple of the initial increases in business investment and/or government expenditures.
2. The secondary-industry multiplier is non-Keynesian in nature, in that its pattern is one of industrial purchases as opposed to consumption expenditures. This multiplier is the one set in motion when a basic industry--in order to handle increased sales and output--steps up its purchases of goods from intermediary producers, which then place larger orders with other intermediary firms. For example, an increase in output and sales by agriculture may require larger purchases of fertilizer; such a gain in sales of fertilizer would require larger purchases--and, therefore, larger output--of potash, etc. This multiplier raises the GNP, or the GSP, by some multiple of the initial increase in the sales made by the basic industry.

Accelerator Effect--the change in investment associated with a change in the level of sales. If sales increase, a firm may be forced to expand its plant (increase investment) in order to supply the expanded demand. Excess capacity would tend to minimize the effect of increased sales.

Leverage Effect--the combination of multiplier (Keynesian) and accelerator effect.

(and hence basic) or effectual is difficult to determine. From the imprecise market information about this industry one cannot be certain what portion of the output serves the State as opposed to export markets and, therefore, cannot ascertain the degree to which declines in this category reflect declines in state construction, for example, instead of constituting a prime cause of the 1960 downturn. Unfortunately, the answer to this question (as well as to other important questions) will not be known until better information is available.

The first quarter of 1961 brought a further drop in employment--from a 1960 figure of 1,416 to a corresponding monthly average of 896. This decline corresponds to drops (discussed later) in the construction industry and hence somewhat supports the position that a portion of the timber industry should not be included in the primary sector as defined in this article. Nevertheless, the decline in the timber industry, however defined, has added weight to the recessionary pressure.

TABLE II

PERSONAL INCOME EARNED IN AGRICULTURE
New Mexico, 1957-1960
(in millions)

1957	1958	1959	1960
$92	$121.3	$118	$110

Source: U.S. Department of Commerce

GOVERNMENT

While an accurate measurement of the importance of the governmental influence is not readily available, governmental activity forms without question a major portion of the State's economic base. As indicated above, the government sector is used here in a broad sense and includes not only the military and the AEC people, but also prime contractors and their subcontractors. To estimate the income or employment originating in this sector, however, is particularly difficult. Federal employment figures are available; yet the firms working directly or indirectly for the federal government are found in various manufacturing and service categories and are not easily identified. Nevertheless, perhaps certain pertinent generalizations can be made.

Direct employment of the federal government and military installations in the State grew at an annual rate of approximately 8.3 per cent between 1949 and 1960, but this rate declined to about 2 per cent between 1957 and 1960. Employment seems to have taken a similar course in those private firms directly dependent upon the federal government. A total decline in employment in this sector is not discernible. However, a definite leveling off over the last few years is suggested.

TABLE III

GOVERNMENT EMPLOYMENT
New Mexico, 1957-1960
(in thousands)

	1957	1958	1959	1960
Federal Government*	26.5	27.6	27.9	28.7
Military	24.0	25.9	24.0	25.0
TOTAL	50.5	53.5	51.9	53.7

*Includes University of California people at Los Alamos.
Sources: N. M. Employment Security Commission and the U.S. Department of Defense

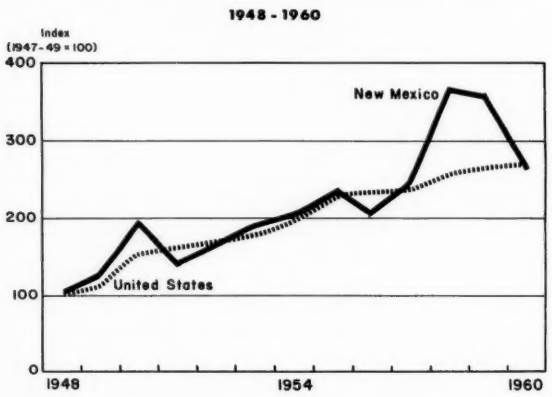
The decline in the rate of growth in government activities probably had some adverse effect upon the State's economy, as exemplified by the accelerator principle (see the boxed definition). We might expect, however, that the impact of the slower growth rate in this sector by now would have spent itself. Federal employment appears to have remained steady during the first six months of 1960 and 1961. It is difficult to judge what the 1961 experience has been, since annual military employment figures will not be available until the end of the year.

Of course, future changes, relative or absolute, will have their effects. And it seems likely that, despite the Marxist implications of military spending and full employment, the decision to resume nuclear testing will favorably affect government employment and influence the State's economy in a positive manner.

It is imperative that we examine the government sector, as herein defined, if we are to interpret correctly the long-run significance and course of New Mexico's economic fluctuations. The importance of government is illustrated rather clearly by the fact that the federal government and military alone accounted for approximately 23 per cent of all our wage and salary workers in 1960. To this figure must be added the employment of private firms working directly, or indirectly, for the U.S. government. Such a figure is not available, but it probably would raise the total percentage to well over 30 per cent. The extent to which government activities support employment in manufacturing, trade, and services--a figure highly concentrated in defense activities and hence sensitive to rather particular U.S. decisions--is also unknown, but is obviously substantial and provides subject matter for further analysis. For these reasons the analyst must recognize and attempt to examine the course taken by this broad category if he is to understand the course and the implications of changes in the State's economic indexes.

Some weakening, either absolute or in the rate of growth, does appear to have occurred in the State's "primary" sector and to have contributed to the decline in business activity. Fortunately, however, the recent recessionary pressure does not seem to reflect basic economic changes which should cause great alarm. Indeed, the U.S. re-

State and National Total-Construction Indexes*



*F. W. Dodge U.S. index; BBR New Mexico index

covery will favorably affect certain of the above sectors; therefore, the explanation of New Mexico's present economic ills must lie to a great extent in sectors outside the State's economic foundation.

CONSTRUCTION

The decline in the construction industry apparently contributed more to the existing recessionary pressure than did any other sector. As reported by the Employment Security Commission, the average monthly employment in this industry was 22,000 in 1959; it fell to 19,000 in 1960; and it was approximately 17,800 for the first six months of 1961. Insured unemployment rose from 4,328 in 1959 to 6,770 in 1960 and to 8,791 in July of this year, revealing changes which correspond very closely to the decline in construction employment. The comparison is illuminating, even though the same people, of course, are only partially involved.

In interpreting the extreme fluctuation of the Bureau's index of New Mexico construction for the 1957-1960 period, this writer finds it interesting to compare the State's experience with that of the entire country. The indexes used are not entirely comparable, since our index tends to weight more heavily the portion of construction activity requiring building permits. Nevertheless, the comparison is useful. This comparison can be more readily visualized by use of the accompanying chart.

Construction activity in the United States and New Mexico increased at approximately the same rate from 1947 to 1957. In 1958 and 1959 the New Mexico index far outstripped that of the U.S.; then in 1960 it fell again to a level comparable to the level of the index for the entire country. The 1961 indexes, of course, have not been computed; but F. W. Dodge indicates that total construction in the U.S. increased from $17.6 billion in the first six months of 1960 to $18.2 billion in the same period of this year. Dodge estimates a decline from $132.4 million to $106.7 million for the same periods in New Mexico.

Postulating a functional relationship between population growth and construction activity provides a possible framework for interpreting the above information. The average rate of population growth in the U.S. during the 'Fifties was about 1.7 per cent, compared with approximately 3.6 per cent for the State. (Of course, we must remember that internal migration influences the significance of these figures.) We might have expected--everything remaining equal--the construction activity in New Mexico to exceed the national rate of increase.

One possible explanation is that construction tended to lag behind the demand in the State during the early 1950s, so that the 1958-59 boom was a reaction to a somewhat repressed demand. Yet our 1950 vacancy rates do not seem to indicate a housing need greater than that for the country as a whole. For New Mexico the rental and owner-occupied vacancy rates, as estimated by the Department of Commerce, were approximately 6 per cent and 1.2 per cent respectively (the urban rate was also high), compared with U.S. figures of 2.6 per cent and 0.9 per cent respectively. However, the base percentage figures are somewhat misleading. In part, the discrepancy between these figures may be explained by quality differences, as illustrated by the relative number of units which possessed complete plumbing (private toilet, bath, and running water). In New Mexico about 48 per cent were so categorized in 1950, while perhaps 67 per cent of the entire nation's housing units met this standard. The high New Mexico vacancy rates possibly reflected the undesirability of much of the housing supply. Although during the 'Fifties housing tended to improve in quality more in New Mexico than in the country as a whole, it seems unlikely that quality differences would explain the entire contrast between U.S. and New Mexico housing needs. Using adequate plumbing facilities as the criterion, we find that 68 per cent of New Mexico met this standard by 1960, while the comparable figure for the U.S. by the same year was 80 per cent.

Along these same lines, the 1950 vacancy rates for the entire far-western area of the U.S. were considerably higher than those for the nation--this, despite the sizeable western migration during and after the war. It may be that the residential construction industry in the immediate postwar period was able to satisfy the demand by 1950. Then again it may be that the method used by the Department of Commerce in computing vacancy rates artificially raises the figure for a rapidly growing area relative to more stable areas. Time does not permit an investigation of this possibility. However, available information does not support adequately the position that New Mexico experienced an abnormal housing shortage in 1950. Unfortunately, annual figures for the State are not available from which to observe year-by-year changes.

A more important reason for the significant increase in construction activity in 1958-59 could be the fact that New Mexico's population increased more rapidly during the later 'Fifties than it did during the earlier period. From 1950 to 1955 the population grew at an average annual rate of about 2.8 per cent; between 1955 and 1960 the rate increased to approximately 4 per cent. The construction index presumably reflects this experience, as well as the well-known tendency of the industry to react excessively to demand. In fact, excess reaction is in part substantiated by the 1960 vacancy rates, which were 9.2 per cent for rental units in the State and 1.6 per cent for owner-occupied dwellings. In both instances they are higher than the corresponding 1950 rates. The rate of population increase declined from 1959 to 1960 and possibly to 1961, consistent with the leveling off of employment in certain of the basic industrial sectors discussed previously. However, this decline tended certainly to aggravate the problems of the construction industry. The above factor would seem to have had a dampening effect on recent construction activity in general but, particularly, on residential construction. As it turns out, this is the subdivision largely responsible for the decline in the construction index.

The substantial reduction of construction activity contributed greatly to the 1960-61 recession. Fortunately, however, there seems little reason to expect the building decline to continue for some time, since activity in the industry usually reflects economic decisions in the basic sectors; and, as has been stated earlier, although these sectors have leveled off, they show no sign of major weaknesses.

(Concluded on back cover)

Business Activity in New Mexico

	July 1961	Year Earlier July 1960	Per Cent Change July 1961 from June 1961	Per Cent Change July 1961 from July 1960	INDEX July 1961 (Average Month 1947-49 = 100)
Index of Business Activity (1947-49 = 100)	293.6	272.7	+ 1.6	+ 7.7	293.6
Sales data: Not available. See March 1959 issue of NEW MEXICO BUSINESS					
*Life Insurance Sales (1,000s)	$ 26,461	$ 22,332	+ 9.7	+ 18.5	754.5
*Bank Debits, 34 banks (1,000s)	502,438	475,365	- 2.1	+ 5.7	319.0[a]
Bank Loans and Discounts, 34 banks (1,000s)	51,783	44,833	+ 7.4	+ 15.5	308.3[a]
Demand Deposits, 34 banks (1,000s)	338,881	327,132	- 0.2	+ 3.6	183.2[a]
Time Deposits, 34 banks (1,000s)	154,526	134,688	+ 1.4	+ 14.7	438.9[a]
Business Failure Liabilities (1,000s)[b]	363	347	- 35.2	+ 4.5	1,267.2
Wage Workers in Nonagricultural Establishments	241,800	239,300	- 0.5	+ 1.0	182.3
in Mining	20,200	20,800	0.0	- 2.9	166.1
in Contract Construction	19,000	20,000	0.0	- 5.0	150.6
*in Manufacturing	16,800	16,700	+ 0.6	+ 0.6	195.9
in Transportation and Utilities	19,900	20,700	+ 1.0	- 3.9	124.5
in Trade	51,900	50,900	+ 0.2	+ 2.0	178.6
in Finance, Insurance, and Real Estate	9,700	9,700	+ 1.0	0.0	311.2
in Services and Miscellaneous	40,000	38,500	0.0	+ 3.9	184.2
in Government	64,300	62,000	- 2.7	+ 3.7	218.7
Number of Insured Unemployed	8,791	5,609	- 2.8	+ 56.7	--
Rate of Unemployment (per cent of labor force)	4.40	2.86	- 3.5	+ 53.8	282.8
Construction Contracts Awarded (value in 1,000s)	$ 16,086	$ 14,828	+ 10.5	+ 8.5	--
Residential (value in 1,000s)	$ 6,618	$ 8,194	+ 3.9	- 19.2	--
Number of Permits	495	653	+ 2.9	- 24.2	--
Floor Area (1,000 sq ft)	607	740	+ 2.4	- 18.0	--
Nonresidential (value in 1,000s)	$ 4,937	$ 2,125	- 15.5	+132.3	--
Floor Area (1,000 sq ft)	333	157	- 19.2	+112.1	--
Heavy Engineering (value in 1,000s)	$ 4,531	$ 4,509	+ 93.2	+ 0.5	--
*Petroleum Production (1,000s of bbls)	9,195	8,796	+ 1.0	+ 4.5	242.4
Natural Gas Production (millions of cu ft)	59,134	62,880	+ 2.0	- 6.0	367.6
*Electric Power Production (1,000s of kwhs)	332,283	273,224	+ 8.7	+ 21.6	376.6
*Index of Total Metallics Production (1947-49 = 100)	96.5	69.0	+ 19.6	+ 39.9	96.5
Mine Production - Copper (1,000s of lbs)	13,080	9,798	+ 34.0	+ 33.5	123.7
Mine Production - Lead (1,000s of lbs)	380	308	- 24.6	+ 23.4	36.6
Mine Production - Zinc (1,000s of lbs)	3,900	2,126	- 5.2	+ 83.4	61.1
*Mine Production - Potash (1,000s of tons)	1,109	951	- 20.2	+ 16.6	277.0
Index of All Farm Prices (1947-49 = 100)	98.6	96.2	+ 2.5	+ 2.5	98.6
Index of Livestock Prices	102.0	100.7	+ 1.7	+ 1.3	102.0
Index of Crop Prices	97.2	92.9	+ 4.6	+ 4.6	97.2
Receipts from All Farm Marketings (1,000s)	$ 13,730	$ 10,923	+ 25.6	+ 25.7	181.8
Livestock and Products	4,356	4,179	+ 2.6	+ 4.2	104.3
Crops	9,374	6,744	+ 7.4	+ 39.0	271.9

	August 1961	Year Earlier August 1960	Per Cent Change August 1961 from July 1961	Per Cent Change August 1961 from Aug. 1960	INDEX August 1961 (Average Month 1947-49 = 100)
Bank Debits, 33 banks (1,000s)	$502,410	$516,924	+ 0.9	- 2.8	321.9[a]
Bank Loans and Discounts, 33 banks (1,000s)	46,688	50,874	- 9.1	- 8.2	280.2[a]
Demand Deposits, 33 banks (1,000s)	335,087	320,589	+ 0.4	+ 4.5	183.9[a]
Time Deposits, 33 banks (1,000s)	150,588	133,478	0.0	+ 12.8	438.9[a]
Wage Workers in Nonagricultural Establishments	241,400	238,000	- 0.2	+ 1.4	182.0
Number of Insured Unemployed	8,100	5,387	- 7.9	+ 50.4	--
Rate of Unemployment (per cent of labor force)	4.06	2.76	- 7.7	+ 47.1	261.4
*Building Permits, total 18 cities (1,000s)	$ 8,679	$ 8,891	+ 60.8	- 2.4	301.8[a]
Residential	4,577	3,728	+ 58.6	+ 22.8	256.7[a]
Nonresidential	2,850	4,063	+114.9	- 29.9	390.6[a]
Other	1,252	1,100	+ 5.6	+ 13.9	345.0[a]
Index of All Farm Prices (1947-49 = 100)	99.7	91.0	+ 1.1	+ 9.6	99.7
Index of Livestock Prices	103.7	95.0	+ 1.7	+ 9.2	103.7
Index of Crop Prices	96.8	87.7	- 0.4	+ 10.4	96.8

*Indexes for these items are used to compute the Index of Business Activity.
[a]Although the number of reporting units changes, the indexes for these items are comparable with indexes for preceding months.
[b]The figures in this series are based on the average of three months' data.

Sources:
Retail Sales Data: N. M. Bureau of Revenue
Potash Production: N. M. Bureau of Revenue
Petroleum and Natural Gas Production: N. M. Oil Conservation Commission
Life Insurance Sales (New Ordinary): Life Insurance Agency Management Association
Wage Workers and Unemployment: N. M. Employment Security Commission and U. S. Department of Labor
Electric Power Production: Federal Power Commission
Metallics Production: U.S. Bureau of Mines
Farm Prices and Marketings: U.S. Agricultural Marketing Service
Bank Data (all series) and Building Permits: Bureau of Business Research, UNM
Business Failure Liabilities: Dun & Bradstreet, Inc.
Construction Contracts: F. W. Dodge Corporation

CONCLUSION

In summary, the recent decline in New Mexico business activity, while demanding attention, does not seem to be a long-run phenomenon. Residents of the State would have cause for much concern if the economic base revealed signs of serious weakness, which does not seem to be the case. In the last two years, agriculture, mining, timber, and the broad government category did not experience the growth rates typical of an earlier period, partly reflecting recessionary pressure on the national scene. Yet the evidence does not suggest that these prime income-germinating areas will decline in the future.

A very significant change occurred outside the primary sector and was largely responsible for present economic conditions. This decline--in construction activity--reflected a previous construction boom, the overreaction of construction to demand, and a recent drop in the rate of population growth. In the long run, the construction industry, like other secondary industries, will be dependent upon the State's economic foundation for its stimulus; and, for this reason, it should not continue to weaken, once an adjustment has been reached. New Mexico has not particularly felt the nation's previous postwar recessions, primarily because of the nature of the State's economic base. While agriculture, timber, and mining tend to be dependent upon national economic conditions, the governmental sector--so important to New Mexico--does not typically reflect the nation's economic ills. This sector continued to grow throughout the 1950s, thus mitigating other possible deterrents to economic growth. However, we must remember that "governmental" employment in the future, as in the past, will be particularly sensitive to decisions regarding national defense.

The positive influences have not combined to offset the recessionary pressures described above; so the State is experiencing its first extended decline in business activity since World War II. Nevertheless, as stated earlier, assuming that peace does not break out tomorrow, evidence does not suggest that the present direction of the State's economy will continue for an extended period.

Volume 14, Number 9

New Mexico Business Is Published Monthly by The Bureau of Business Research College of Business Administration

The University of New Mexico, Albuquerque

Subscription Price: Four Dollars Per Year

MEMBER: ASSOCIATED UNIVERSITY BUREAUS OF BUSINESS AND ECONOMIC RESEARCH

Entered as second-class matter January 31, 1949, at the post office at Albuquerque, New Mexico, under the act of August 24, 1912.

Ralph L. Edgel
Director

Gordon K. Pierson Research Economist	Vicente T. Ximenes Associate Economist
Arthur A. Blumenfeld Assistant Economist	A. David Sandoval Assistant Economist
Margaret I. Meaders Editor	Harold W. Corley Field Representative
Shirley J. Huzarski Records Supervisor	Bonnie E. Flowers Statistical Clerk
Grace M. Martinez Statistical Assistant	Sue A. Hawley Clerk Typist
Anita S. Park Adm. Secretary	Louise M. Laval Secretary

NEW MEXICO BUSINESS
Bureau of Business Research
The University of New Mexico
1821 Roma Avenue, N.E.
Albuquerque, N. M.